

## Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 AGR-20 AID-20 CEA-02 CIAE-00

COME-00 EB-11 EA-11 FRB-02 INR-10 NEA-14 NSAE-00

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R 111225Z JUL 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 9279

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: EAGR, EEC,DA

SUBJ: NATIONAL EC SUBSIDIES TO HORTICULTURAL INDUSTRIES PROTESTED  
BY DANES

SUMMARY: DANISH HORTICULTURAL INDUSTRY, BADLY HIT BY INCREASED  
ENERGY COSTS PARTICULARLY IN GLASSHOUSE SECTOR, HS REQUESTED  
MINISTER OF AGRICULTURE KOFOED AT JULY 15-16 AG. MINISTER'S  
MEETINGS IN BRUSSELS TO PROTEST STRONGLY OTHER EC COUNTRIES'  
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NATION SUBSIDIES TO THE INDUSTRY. REPORTEDLY ONLY DENMARK AND

IRELAND ARE NOT RPT NOT GRANTING SUCH SUBSIDIES TO GLASSHOUSE SECTOR, AND DANISH INDUSTRY NOW FACING MAJOR CRISIS. OTHER EC MEMBERS ARE GRANTING 25 TO 50 PERCENT OF INCREASED FUEL OIL COSTS IN FORM OF DIRECT SUBSIDIES AND LOW INTEREST LOANS AS WELL AS OTHER SUPPORT MEASURES. KOFOED WILL PRESS FOR EC-FINANCED SUPPORT AT NEXT WEEK'S MEETINGS BUT HAS NOT REVEALED CONTENTS OF HIS PROPOSAL. UNDER COMMISSION CONDITIONS SET FOR APPROVAL OF NATIONAL SUPPORT (50 PERCENT OF INCREASED FUEL COSTS SINCE SEPTEMBER 1, 1973), DANISH GLASSHOUSE SECTOR WOULD BE ELIGIBLE FOR 100 MILLION KRONER (\$17 MILLION) ON ANNUAL BASIS.

1. PRODUCTION COSTS WITHIN DANISH GLASSHOUSE SECTOR HAVE DOUBLED SINCE START OF ENERGY CRISIS LAST FALL. FOLLOWING INTRODUCTION OF VARIOUS NATIONAL SUBSIDY SCHEMES IN OTHER MEMBER COUNTRIES, DANISH SECTOR APPLIED LAST FEBRUARY TO GOVERNMENT FOR SUPPORT IN FORM OF LOANS AND LOAN GUARANTEES, MAINLY TO ASSIST IN RESTRUCTURING FUEL UTILIZATION; OIL CONSUMPTION COULD BE CUT 40-50 PERCENT BUT LARGE INVESTMENT NEEDED. DESPITE RECOMMENDATION MADE BY SPECIAL COMMITTEE APPOINTED FOR PURPOSE, MIN.AG. REQUEST FOR 50 MILLION KRONER WAS TURNED DOWN RECENTLY BY APPROPRIATIONS COMMITTEE OF PARLIAMENT DUE SHORTAGE OF FUNDS. DECISION WAS EXACERBATED BY RECENT EC COMMISSION ACCEPTANCE OF NATION SUPPORTS UP TO JUNE 30, 1975 PROVIDED INTRODUCED PRIOR TO OCTOBER 1, 1974. ISSUE CANNOT BE RAISED IN NORMAL DANISH PARLIAMENT SESSION UNTIL IT RECONVENES AFTER SUMMER RECESS ON OCTOBER 1.

2. WITHOUT SUPPORT, HORTICULTURAL SECTOR FEARS THAT HALF OF DENMARK'S 6,000 COMMERCIAL GARDENERS (OF WHICH 3,000 BASED ENTIRELY ON GLASSHOUSE CULTURES) WILL HAVE TO CLOSE DOWN STARTING THIS FALL. OVER 10,000 PERSONS ARE DIRECTLY EMPLOYED IN THE GLASSHOUSE SECTOR OUT OF TOTAL 30,000 HORTICULTURAL LABOR FORCE. NORTHERLY CLIMATE NECESSITATES HEAVY USE OF FUEL (AT PRESENT MAINLY OIL) AND SECTOR ALREADY IN POOR LIQUIDITY SITUATION DUE EXTENSIVE INVESTMENTS PRIOR TO EC MEMBERSHIP. WITH ADDITIONAL QUOTE UNEQUAL UNQUOTE COMPETITION FROM OTHER EC COUNTRIES, SECTOR IS FACING MAJOR UNCLASSIFIED

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CRISIS. MAIN GLASSHOUSE PRODUCTION ITEMS ARE POTTED PLANTS, CUT FLOWERS AND GREEN SPRAYS (PLUMOSIS). TOTAL HORTICULTURAL EXPORTS AMOUNT TO ABOUT 500 MILLION KRONER (\$84 MILLION) ANNUALLY, AND PRODUCTION VALUE IS DOUBLE THAT AMOUNT.

3. ACCORDING TO DANISH FARM PERIODICALS, NATIONAL SUPPORT BEING GRANTED IN OTHER EC COUNTRIES IS AS FOLLOWS:

GERMANY 67 MILLION DM, BELGIUM 40 MILLION BF, FRANCE 67.5 MILLION FRANCS, ITALY 6 BILLION LIRE, NETHERLANDS 24.5 MILLION FL, AND UK 7 MILLION POUNDS. IN ADDITION, NETHERLANDS GARDENERS CAN OBTAIN GOVERNMENT LOAN GUARANTEES AND HAVE RECEIVED GRANTS OF 3 MILLION FL FOR RESEARCH, 6 MILLION FOR INVESTIGATION OF ENERGY-SAVING METHODS, 10 MILLION IN INCREASED SUPPORT FOR CLOSING UNPROFITABLE OPERATIONS (BRINGING SUPPORT TO 8 FL PER SQUARE METER GLASS AREA) AND 10 MILLION TO CHANGE TO NATURAL GAS HEATING.

4. AG. MINISTER KOFOED STATED THAT HE WILL PUSH STRONGLY FOR HARMONIZATION OF EC SUPPORT THROUGH FEOGA AT NEXT COUNCIL MEETING IN ORDER TO REMOVE UNEQUAL INTRA-EC COMPETITION. IF UNSUCCESSFUL, HE WILL AGAIN TAKE UP QUESTION OF NATIONAL SUPPORT WITH DANISH GOVERNMENT. HE BELIEVES COMMISSION DEADLINE OF OCTOBER 1 FOR INITIATING NATIONAL SUPPORT CAN BE POSTPONED AND THAT MATTER COULD THEN AWAIT PARLIAMENT RECONVENING AS OF THAT DATE. IN MEANTIME, A SPECIAL GOVERNMENT COMMITTEE IS STUDYING PROBLEM WITH VIEW TO POSSIBLE STATE LOANS, AND THERE IS POSSIBILITY THAT PARLIAMENT COULD TAKE UP DURING EXTRAORDINARY SEPTEMBER SESSION CALLED TO DISCUSS ECONOMIC PROGRAM.

5. FURTHER PROBLEM FOR DANISH SECTOR IS COMPETITION FROM DANISH-OWNED PRODUCTION OF PLUMOSIS IN KENYA, WHICH HAS REDUCED DANISH EXPORTS OF THIS ITEM (LARGELY TO WEST-GERMANY) BY ONE-THIRD OVER THE LAST 3 YEARS. IN CONNECTION WITH EC'S ASSOCIATION NEGOTIATIONS WITH AFRICAN COUNTRIES, DANISH MINISTER AT JUNE COUNCIL MEETING REQUESTED THAT CUT FLOWERS AND GREEN SPRAYS FOR BOUQUETS BE INCLUDED IN THE LIST OF QUOTE SENSITIVE ITEMS UNQUOTE TO ASSURE PRICE DISCIPLINE AND AVOID QUOTE DUMPING-LIKE IMPORTS FROM SUCH COUNTRIES UNQUOTE.

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## Message Attributes

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